

The Shoko Chukin Bank's Corporate Transformation

1 Well-being and D&I

Develop diverse human resources to realize an organization that is resilient to change

From July to September 2022, My Purpose Workshops were held, where employees nationwide worked on formulating My Purpose and also formulated Team Missions to achieve the Purpose at all branch offices and the headquarters. Employees with disabilities and those required support for the workshop also participated, using transcription applications and written communication. We will aim to achieve the Purpose by having each employee link their own My Purpose to their daily activities.

Overview of My Purpose Workshop

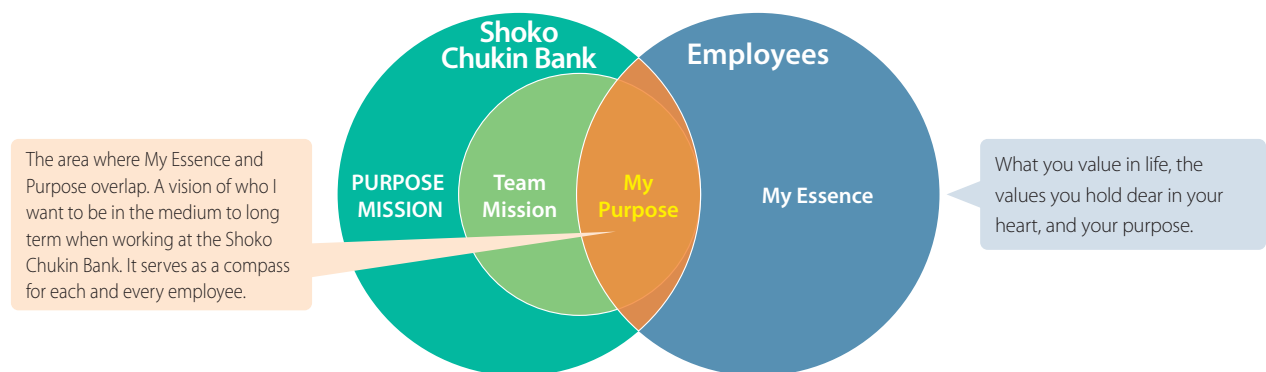
- STEP 1** Facilitators were openly recruited. 85 people of different ages and job categories applied voluntarily.
 - STEP 2** The workshops for facilitators were conducted through a combination of face-to-face workshops and online workshops, with the facilitators themselves first formulating their own My Purpose. The President also participated in the workshop and developed his own My Purpose together with employees.
 - STEP 3** The workshops were held for all employees. 4,091 employees participated from mid-July to mid-September. Groups were formed among several members at each site, and the workshops were conducted by connecting sites online.
- Effects** Not only did the workshops help to make the Purpose a personal concern, but it also contributed to revitalizing internal communication and improving the organizational climate through discussions with employees who do not have daily contact with each other.



▶▶ Please click here to view a video of the Purpose initiative.
<https://www.youtube.com/watch?v=e6M6lIBxYtQ>



Establishing My Purpose and Team Mission as a company-wide initiative



TOPIC Candid dialogue session between the President and Section Chiefs

In March 2023, we held a candid dialogue session between the President and Section Chiefs with the aim of having the Section Chiefs, who are in key positions in the field, understand the direction of management, and also to have their opinions directly conveyed to top management.



▶▶ For more information on human capital management to achieve the Purpose and Mission, please refer to page 46.

TOPIC BUSINESS CONTEST 2022

Activities underway to create new businesses embodying the Purpose of the Shoko Chukin Bank.

In July 2022, the contest was kicked off with the concept of creating new businesses that embody the Purpose (aiming to become mainstay businesses in five years).

A diverse group of approximately 100 employees and 45 teams entered the competition, with 31 employees and nine teams passing the first round of judging. The results were presented at the final judging in March 2023. During this period, the ideas were refined through individual consultations through business chat tools and regular online mentoring with each team, with the cooperation of new business expert Filament, Inc. All participants worked toward the contest with a high level of enthusiasm.

The employees of the four teams that made it through to the final judging were assigned concurrently to the Future Design Department of the Corporate Planning Division, where they conduct feasibility studies on their business ideas and aim to create new businesses that embody the Purpose.

INTERVIEW

I decided to participate in the Business Contest to place myself in an environment where I could engage in friendly competition with highly motivated colleagues, out of curiosity to explore my own potential.

I found the experience exhilarating, as many of the participants openly voiced their own thoughts and had a proactive attitude. I feel that the process itself, in which we took time away from our usual work to engage in discussions daily in order to create a new business, was of the greatest value to me. I am happy to be able to continue working together with the highly motivated members I got to know through the Business Contest to achieve the Purpose.

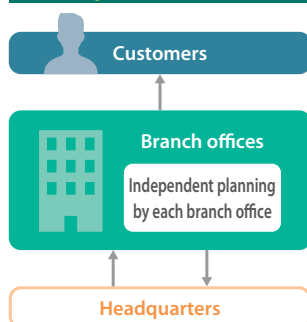
Kohei Hashimoto, Business Solution Division



2 Customer-oriented business operations

Be a partner in creating security and prosperity for our customers

Strengthen our ability on the front-line to respond to customer needs and changes in the environment



Sales activities that focus on true customer needs

- Provide optimal solutions that meet true customer needs and challenges by starting with business prospects evaluation activities that deepen relationships of trust, understand the content of the business, and identify future growth potential, through dialogue with customers

Formulation of independent plans

- Numerical allocations from the headquarters to branch offices were abolished from fiscal 2018 due to the implementation of the Shoko Chukin Bank Management Reform Plan. Each branch office formulates its independent plan according to regional characteristics and actual conditions

Supporting branch offices

- The headquarters will develop a system to provide detailed consultation to branch offices, thereby providing support for improving business prospects evaluation capabilities to accurately grasp customer needs, and knowledge and skills required to provide advanced solutions.

Evaluation from customers

	FY2018	FY2019	FY2020	FY2021	FY2022*
Overall satisfaction	79.2%	80.8%	83.1%	84.2%	84.6%
Level of trust	89.1%	90.9%	93.5%	93.4%	94.4%
NPS*	(21.7)	(16.4)	(7.7)	(6.4)	(2.9)

*For fiscal 2022, we reduced the number of questions to customers and conducted a questionnaire survey with 15,000 customers.

(Note) Overall satisfaction is the percentage of respondents who answered "5: Satisfied" or "4: Somewhat satisfied" on a 5-point scale (%).

(Note) Level of trust is the percentage of respondents who answered "5: Trust" or "4: Somewhat trust" on a 5-point scale (%).

(Note) NPS*: The net promoter score, measured by promoters and detractors. On an 11-point scale from 0 to 10, the percentage of promoters (9, 10) minus the percentage of detractors (0-6). NPS* is a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Customer feedback

- The Bank has been stable in its support of our business, regardless of market and economic conditions.
- I appreciate that the Bank has a good understanding of our business and provides us with appropriate financing for our business needs.

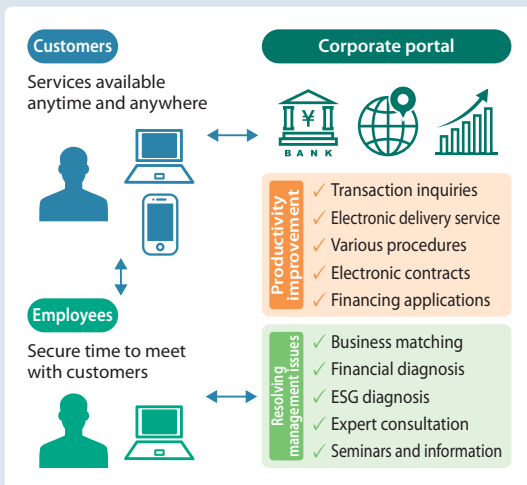
3 DX (digital transformation)

Improving the customer experience value with a focus on the corporate portal

In order to remain as an indispensable partner for the growth of SMEs, the Shoko Chukin Bank is working on three projects: 1) customer contact point and experience reform, 2) reform of liaison activities, and 3) advanced utilization of data. Through these projects, we will achieve improved customer experience value by enabling customers to receive services anytime, anywhere, and promptly.

1) Customer contact point and experience reform

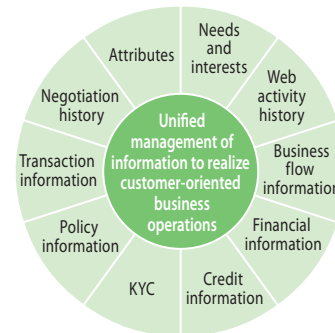
We will introduce the corporate portal, a new online customer contact point, to connect customers and the Shoko Chukin Bank through a single platform to promote non-face-to-face transactions such as receipt of documents. For many customers, this will eliminate location and time constraints, and for the Shoko Chukin Bank, it will enable further sophistication of sales and marketing, among other aspects. We will provide efficient and effective services that will contribute to corporate value improvement.



2) Reform of liaison activities

We will strengthen relationships with customers by introducing a sales force automation system (SFA) and a customer relationship management system (CRM), and shift to sales utilizing organizational strength and streamlined sales. We will improve the quality and quantity of our liaison activities by responding quickly and flexibly to changes in the environment and by sharing the power of the organization.

- Transform from a finance-centered sales approach to a market-oriented sales approach that is centered on diversifying customer needs
- Obtain a highly agile engine that supports rapid and flexible response to drastic environmental changes
- Share information and data to address customers' business challenges in an organization-wide effort

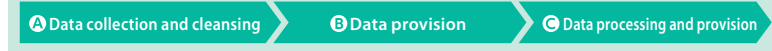


3) Advanced utilization of data

The various data and information accumulated to date are valuable management resources of the Shoko Chukin Bank. We will also utilize information obtained through 1) customer contact point and experience reform and 2) reform of liaison activities, and primarily provide value through our Head Office and branch offices as a whole through the organizational knowledge of data. As shown in the roadmap below, we will develop the three elements (system, human resources, and organizations and mechanisms) to realize data-driven management and business value creation, with the aim of achieving advanced utilization of data.

Initial response: Steadily develop necessary infrastructure/skills and know-how through PoC, etc.

Initial steps toward data utilization



- A Clearly distinguishing data that should be stored and spreading the importance of data
- B Providing useful data and information for branch offices, communication with top management
- C Sophistication of visualized data, trial introduction of BI tools, trial introduction of geographic information system

VALUE

Enhancement of income/expense management

Achievement of calculations further in line with actual conditions

Creation of business value



Systems to support customer experience value

As one of the measures to support these DX strategies from the infrastructure side, the Shoko Chukin Bank is currently promoting an account system restructuring project to migrate the current account system to an open account package.

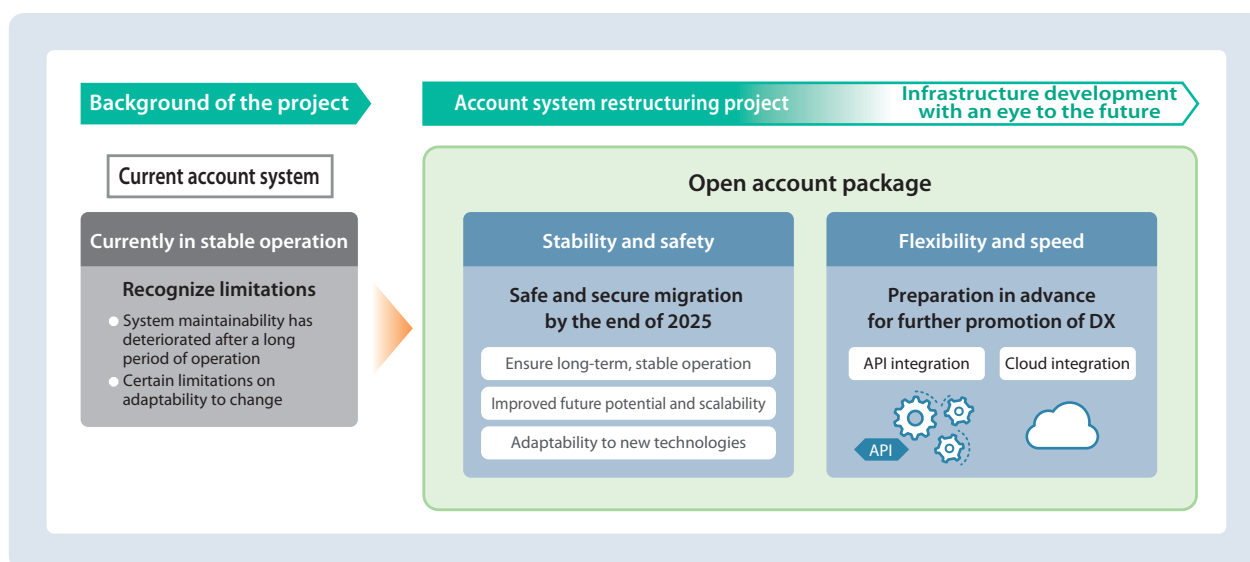
This project is an effort to ensure long-term and stable operation of the core system as a financial institution that is part of the social infrastructure, and is being developed in close cooperation with each of our IT partners, with the goal of having the new system running by the end of 2025.

Purpose of introducing the new system

- The new system will be introduced in order to continue to be a financial institution that customers can do business with peace of mind.
- We will migrate from the current account system, which has been in operation for a long time, to an open account package with excellent flexibility and scalability, which is also used by other banks, in order to achieve long-term and stable operation of the system.

Effects of introduction

- In responding to changes in the environment surrounding financial institutions, we anticipate effects such as continued operational efficiency and labor savings to maintain the nationwide network that is a characteristic of the Shoko Chukin Bank, rapid introduction of new products and services, and construction of a system infrastructure with a view to further promote DX.



DX Roundtable Discussion — Seamless, Digital Solutions to Issues Centered on the Needs of Customers

The Shoko Chukin Bank is committed to providing prompt services to customers by incorporating new technologies through the promotion of digital transformation (DX). Here, Director & Senior Managing Executive Officer Katsuhiko Kaji exchanged opinions with the employees of the Shoko Chukin Bank involved in DX promotion, focusing on 1) restructuring of the account system, 2) DX centered on the corporate portal, and 3) data utilization initiatives.



1. Restructuring of the account system

Kaji: In the rapidly changing environment of the banking and IT industries, systems and DX in particular are indispensable for sustainable corporate value improvement. Mr. Masuda, please introduce our efforts to date and the project we are currently undertaking to restructure our account system, which is the foundation of our banking operations.

Masuda: The Shoko Chukin Bank has achieved various system development projects to date. For example, we have been promoting business reforms by computerizing our collections administration, introducing electronic contracts, and establishing a system that enables remote work. We are continuing to implement a number of business reform projects, including the use of RPA.

Among these projects, the restructuring of the account system is a large-scale project to restructure the core system that handles deposits, loans, and other operations. This project will not only ensure long-term and stable system operation, but also enable speedy integration with other systems, which is expected to have a synergistic effect in DX promotion.

Kaji: Speed and integration are two keywords that are important elements of DX. By successfully restructuring the account system on this occasion, we would like to increase the speed more than ever and also deepen integration.

2. DX centered on the corporate portal

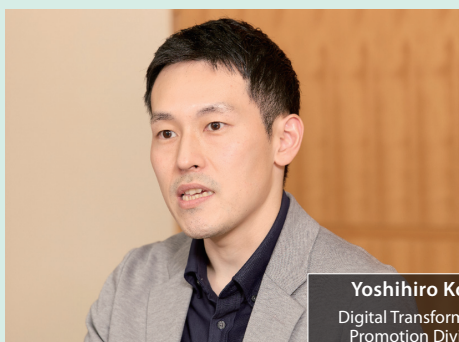
Kaji: In April 2021, we established the Digital Transformation Promotion Division in order to improve our customers' productivity and strengthen the Shoko Chukin Bank's own DX. Currently, as our main project, we are implementing the corporate portal and CRM (customer relationship management)/SFA (sales force automation) systems. Mr. Kono, please introduce the background and effects of this project.

Kono: The corporate portal is for customers, and CRM/SFA is for the employees of the Shoko Chukin Bank. The corporate portal provides online access to various procedures and services provided by the Shoko Chukin Bank, and is expected to improve convenience for



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Director & Senior Managing
Executive Officer





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our customers. CRM/SFA is a system for conducting sales activities more efficiently. CRM/SFA will also be integrated with the corporate portal to enable optimal proposals. Through these initiatives, we hope to increase the amount of dialogue with our customers, and provide prompt responses to solve their diversifying management issues via both real-world and digital methods through the use of data.

Kaji: Measures for IT and digitalization of SMEs is a challenge for both customers and the Shoko Chukin Bank, but it is also a business opportunity, isn't it?

Kono: Yes, I agree. We have developed the DX and IT survey as a tool to respond to customers who commented that they don't know where to start, and we use this survey as a tool for dialogue with customers and for sharing issues with them. Another thing we are considering is entering the platform business to support SMEs in their adoption of IT and sophisticating management. Through this platform, we aim to provide IT services that companies can use in their daily operations and support the formulation of management strategies.

3. Data utilization initiatives

Kaji: Data-driven management based on scientific analysis of data is the very heart of DX. How is the development of data utilization projects going?

Kawahito: We have several PoC (proof of concept) projects in progress. We are implementing small projects in intervals of several



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months, and we are moving forward while listening to feedback from the field, transcending departmental boundaries.

Takano: I was seconded from SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD., a Shoko Chukin Group company. We are engaged in a group-wide effort to promote DX. For PoC projects, we are starting with the visualization of accumulated data. We have data accumulated like a treasure trove, and our mission is to utilize it to analyze the past and predict the future.

4. Future goals

Kaji: Lastly, could you give us your thoughts on the DX efforts of the Shoko Chukin Bank?

Masuda: The account system I am in charge of plays a role in social infrastructure, and I find it very rewarding to work on it. In order to be a financial institution of choice of our customers, I want to establish a solid system that will serve as its foundation.

Kono: Using the corporate portal, I would like to increase the amount of time available for each and every employee to think of better solutions for our customers. I would also like to focus on the continuous development of these systems by integrating them with the account system and improving their convenience.

Kawahito: I would like to expand our data management system and increase the utilization of data. I have set leading our customers to solutions to their management issues as my goal.

Takano: I would like to analyze the industry through more sophisticated use of data, and link this to understanding the needs of our customers. I would also like to pursue the effects of improving operational efficiency.

Kaji: The Board of Directors is also increasingly discussing DX. The use of AI and big data is precisely the topics we are currently discussing, and we recognize cybersecurity as a top priority issue. To realize the Purpose, it is very important to use information effectively on an organization-wide basis, and top management is determined to make the necessary investments in the DX field. Let's work together as a unified group to achieve corporate transformation based on DX.